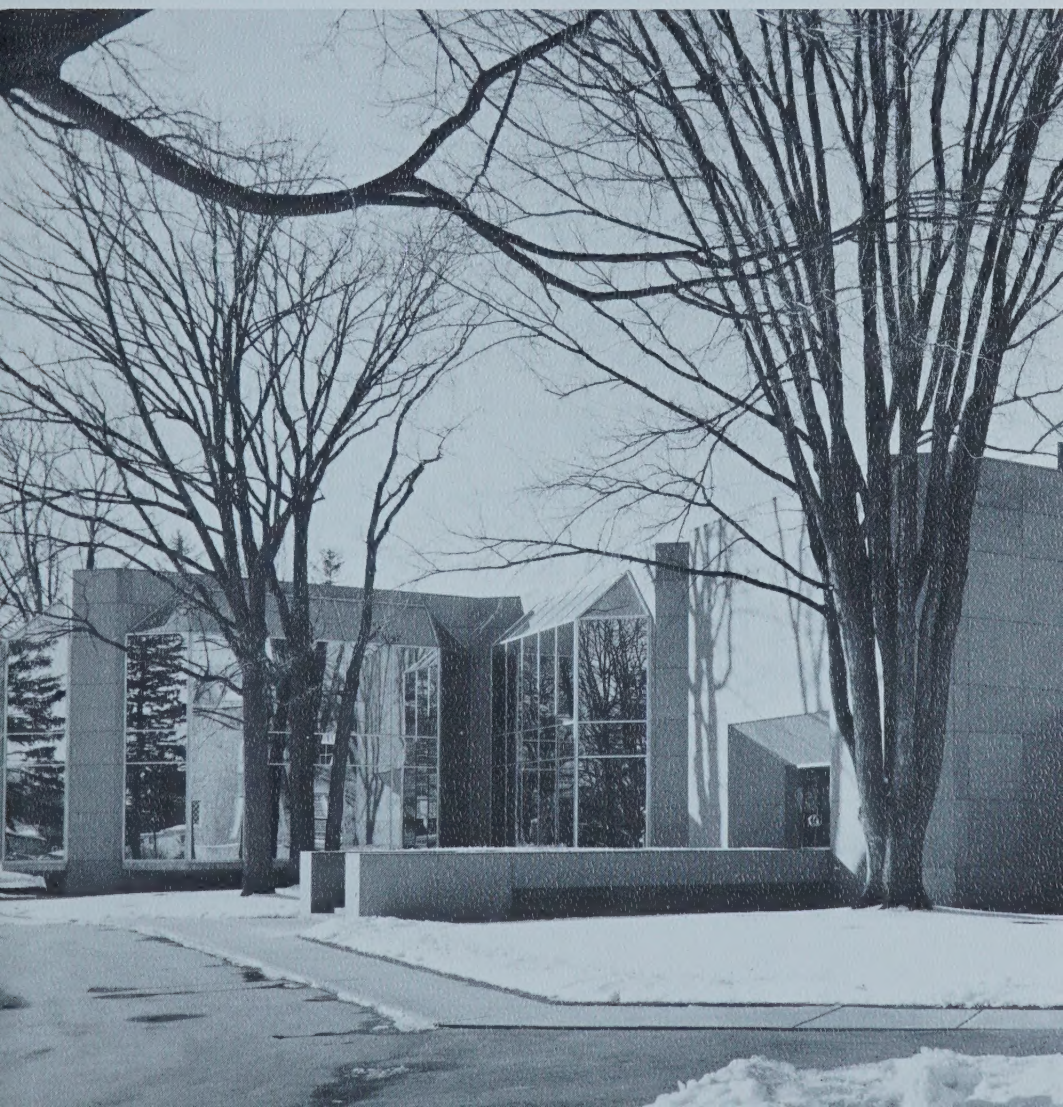


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GORE MUTUAL INSURANCE COMPANY

140th Annual Report 1978





Directors

GEORGE M. EGOFF*	Cambridge
<i>Chairman of the Board</i>	
D. D. McKAY, F.I.I.C.*	Cambridge
<i>President and Chief Executive Officer</i>	
J. HOWARTH BENNETT*	Cambridge
The HON. DONALD M. FLEMING, P.C., Q.C.	Toronto
GEORGE H. LOCHEAD, Q.C.*	Kitchener
WILLIAM F. McCORMICK*	Cambridge
D. D. C. McGEACHY†	London
D. McQ. SHAVER, C.M.†	Cambridge
WILLIAM H. YOUNG†	Hamilton

* Member of the Executive Committee

† Member of the Audit Committee

Officers

D. D. McKAY, F.I.I.C.	President and Chief Executive Officer
R. C. DAHMER, C.A.	Vice-President and Treasurer
J. A. LEWINGTON, B.Comm.	Vice-President Personal Lines
J. G. NEARINGBURG	Vice-President Claims
T. C. TAYLOR, F.I.I.C.	Vice-President Commercial Lines
J. McK. GRAY, C.A.	Secretary



NOTICE OF ANNUAL GENERAL MEETING
OF THE MEMBERS OF
GORE MUTUAL INSURANCE COMPANY

To the Members:

The Annual General Meeting of the Members of Gore Mutual Insurance Company will be held at the Chateau Kress, 250 King Street West, Cambridge (Preston), Ontario on Monday, the 26th day of March, 1979 at 1:30 p.m., Eastern Standard Time, for the purpose of (a) receiving the report of the Directors; (b) receiving the annual financial statement and report of the Auditors; (c) electing Directors; (d) appointing Auditors and authorizing the Directors to fix their remuneration; and (e) transacting such other business as may properly be brought before the meeting.

Dated at Cambridge (Galt), Ontario, on the 9th March, 1979, by order of the Board.

J. McK. Gray, Secretary.



GORE MUTUAL INSURANCE COMPANY

BALANCE SHEET AS AT DECEMBER 31, 1978

(in thousands of dollars)

ASSETS	1978	1977
Cash and bank deposit certificates	\$ 10,182	\$ 3,406
Accounts receivable		
Agents	6,032	5,273
Other	387	312
Investment income due and accrued	719	694
Deferred premium acquisition costs	3,480	3,408
	<u>20,800</u>	<u>13,093</u>
Investments (note 2)		
Bonds and debentures	32,226	31,440
Stocks	9,089	7,591
Mortgages	2,056	1,549
	<u>43,371</u>	<u>40,580</u>
Fixed assets (note 3)	2,360	2,207
	<u>\$ 66,531</u>	<u>\$ 55,880</u>
LIABILITIES AND SURPLUS		
Unearned premiums	\$ 18,573	\$ 16,690
Provision for incurred and unreported claims ...	26,997	22,132
Income and premium taxes payable	1,649	689
Accounts payable and accrued liabilities	2,036	1,558
	<u>49,255</u>	<u>41,069</u>
Reserves for guarantee bonds as required by the Department of Insurance	42	38
	<u>49,297</u>	<u>41,107</u>
Policyholders' surplus		
Investment reserve (note 2)	2,200	2,200
Surplus	15,034	12,573
	<u>17,234</u>	<u>14,773</u>
	<u>\$ 66,531</u>	<u>\$ 55,880</u>

D. D. McKAY
President and Chief Executive Officer

G. M. EGOFF
Chairman



GORE MUTUAL INSURANCE COMPANY

STATEMENT OF INCOME YEAR ENDED DECEMBER 31, 1978 (in thousands of dollars)

	1978	1977
Revenue		
Premiums earned	\$ 37,625	\$ 34,037
Investment income (note 4(b))	3,684	2,791
Profit (loss) on sale of investments	117	(28)
	<u>41,426</u>	<u>36,800</u>
Expenses		
Claims and adjustment expenses	24,359	22,779
Commissions	7,299	6,328
Premium taxes	1,238	1,082
Other underwriting	4,679	3,806
Investment	118	100
Provision for mutual policyholders' premium rebates	23	12
	<u>37,716</u>	<u>34,107</u>
Income before income taxes	3,710	2,693
Income taxes	1,249	206
NET INCOME	<u>\$ 2,461</u>	<u>\$ 2,487</u>

STATEMENT OF SURPLUS YEAR ENDED DECEMBER 31, 1978 (in thousands of dollars)

	1978	1977
BALANCE AT BEGINNING OF YEAR		
As previously reported	\$ 12,668	\$ 10,231
Retroactive effect of changes in accounting practice (note 4(a))	95	145
As restated	12,573	10,086
Net income	2,461	2,487
BALANCE AT END OF YEAR	<u>\$ 15,034</u>	<u>\$ 12,573</u>



Auditors' Report

TO THE MEMBERS AND DIRECTORS OF
GORE MUTUAL INSURANCE COMPANY

We have examined the balance sheet of Gore Mutual Insurance Company as at December 31, 1978 and the statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations for the year then ended in accordance with the accounting practices described in note 1 which, except for the change in accounting practice described in note 4(b) and after giving retroactive effect to the changes in accounting practice described in note 4(a), have been applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.
Chartered Accountants

Cambridge, Canada
February 27, 1979

Notes to Financial Statements

YEAR ENDED DECEMBER 31, 1978

1. ACCOUNTING POLICIES

- (a) The company follows accounting practices prescribed or permitted by the Department of Insurance of Canada. These practices differ from generally accepted accounting principles followed by non-insurance business enterprises in determining financial position and results of operations. The principal differences are:
- i Certain additional policy reserves calculated on a statutory basis are recorded as liabilities and taken into account in determining premiums earned.
 - ii Income taxes are calculated on the taxes payable basis rather than the tax allocation basis.
 - iii The company reflects the financial effects of compliance programs under the Federal Government's Anti-Inflation legislation in the financial periods in which the programs are implemented.
- (b) Fixed assets are stated at cost. Depreciation is provided on the straight line basis, principally at the following annual rates:
- | | |
|------------------------|----------------------------|
| Land improvements | 10% |
| Buildings | 2% |
| Furniture | 5% |
| Equipment | 14 2/7% |
| Leasehold improvements | Over the life of the lease |
- (c) Investments in bonds, debentures and mortgages are valued at cost adjusted for amortization of purchase discounts or premiums. With respect to securities purchased up to December 31, 1977, purchase discounts and premiums are amortized over the period from January 1, 1978 to maturity. Discounts and premiums on purchases subsequent to December 31, 1977 are amortized over the term to maturity. Stocks are valued at cost.
- (d) Unearned premiums are calculated at full pro-rata value.
- (e) Deferred premium acquisition costs are calculated as the recoverable pro-rata value of premium taxes and normal commissions.

2. INVESTMENTS

Investments at book value, less the investment reserve, do not exceed the value authorized by the Department of Insurance.



3. FIXED ASSETS

		1978		1977
		Accumulated		
	Cost	Depreciation	Net	Net
Land and land improvements	\$ 97,000	\$ 30,000	\$ 67,000	\$ 50,000
Buildings	2,262,000	446,000	1,816,000	1,827,000
Furniture	342,000	43,000	299,000	221,000
Equipment	230,000	89,000	141,000	109,000
Leasehold improvements	42,000	5,000	37,000	
	<u>\$2,973,000</u>	<u>\$ 613,000</u>	<u>\$2,360,000</u>	<u>\$2,207,000</u>

The cost of the original head office site was written off to surplus on acquisition.
Depreciation of \$99,000 was provided in 1978 (\$85,000 in 1977).

4. CHANGES IN ACCOUNTING PRACTICE

In 1978 the company changed certain of its accounting practices as set out below to conform with changes in accounting practice prescribed by the Department of Insurance.

(a) Comparative figures have been restated to reflect retroactively a charge of \$95,000 to December 31, 1977 resulting from the changes in accounting practice set out below. Of this amount a credit of \$50,000 is applicable to 1977 and a charge of \$145,000 to years prior to 1977.

(i) Provision for doubtful accounts

Prior to 1978, accounts due from agents in excess of 90 days were fully provided for at the end of each accounting period. This provision substantially exceeded the company's experienced loss.

The company now provides for its anticipated bad debt loss at the end of each accounting period.

(ii) Reserve for unregistered reinsurance

Prior to 1978 the company recorded a statutory reserve in the full amount of unearned premiums and amounts recoverable from unregistered reinsurance companies. The provision for these amounts was taken into account in computing income and the accumulated reserve was recorded as a liability.

The statute no longer requires the reserve to be recorded as a liability and the company now makes no such provision.

(iii) Claims administration costs

Commencing in 1978 the company includes in its provision for incurred and unreported claims a provision for claims administration costs to be incurred in the settlement of claims outstanding at the year end, and takes such provision into account in computing income.

(b) Investment income

Prior to 1978 the company carried its investment in bonds, debentures and mortgages at cost, and accounted for purchase discounts and premiums as gains or losses on sale or maturity.

In 1978 the company adopted the policy set out in note 1(c).

The effect of this change has been to increase income for the year by \$423,000. It does not have a retroactive effect.

5. ANTI-INFLATION LEGISLATION (see note 1(a)iii).

Effective April 15, 1976 the company became subject to mandatory compliance under the Federal Government's Anti-Inflation legislation which limits increases in prices, profits and compensation to December 31, 1978. Management is of the opinion that the company has complied with the compensation portion of this legislation.

"Excess revenue" of \$220,000 as determined by the Anti-Inflation Board was earned in the year ended December 31, 1977 and was passed on to policyholders in 1978 by way of premium rate reductions under an approved compliance plan, thereby reducing 1978 revenue by that amount.

Management estimates that approximately \$685,000 of "excess revenue", as defined by legislation, was earned in the year ended December 31, 1978. The company intends to file a compliance plan which, in the opinion of management, will eliminate such excess revenue during 1979 and will reduce 1979 revenue by that amount.

6. COMPARATIVE FIGURES

Certain figures for 1977 have been reclassified to conform with the presentation adopted for 1978.

Branch Offices

ONTARIO

Head Office Branch
252 Dundas Street
Cambridge, Ontario

2 Sheppard Avenue East
Toronto, Ontario
J. McDowell, A.I.I.C., Manager

215 Piccadilly Street
London, Ontario
C. W. Pitt, Manager

130 Albert Street
Ottawa, Ontario
R. J. Holmes, A.I.I.C., Manager

ALBERTA

1009 - 108th Street
Edmonton, Alberta
E. J. Forêt, A.I.I.C., Manager

BRITISH COLUMBIA

515 West 10th Ave.
Vancouver, B.C.
E. G. Chisham, Manager

NEW BRUNSWICK GENERAL AGENT
Provincial Insurance Agency Ltd.
Saint John, N.B.

SERVICE OFFICES

534 - 17th Ave. S.W.
Calgary, Alberta

93 Ontario Street
St. Catharines, Ontario

939 Main Street East
Hamilton, Ontario

RESIDENT MARKETING REPRESENTATIVES

H. E. Collier	St. Catharines
W. W. Ferguson	Warton
R. M. Mills	Peterborough
R. E. Olheiser	Kitchener